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IN THE

# Supreme Court of the United States

OCTOBER TERM, 1978

**No. 78-1355**

HARCO PRODUCTS, INC., d/b/a DFC COMPANY,
*Petitioner,*

*vs.*

REX CHAINBELT, INC.,
*Respondent.*

**BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT.**

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## BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT.

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### THE QUESTION PRESENTED FOR REVIEW.

Whether the bringing of a patent infringement suit by a patentee when the patent is the tying product is per se an action in furtherance of a tying arrangement which would entitle the defendant to recover its attorney's fees in defending the patent infringement action as antitrust damages under 15 USC 15.

### STATEMENT OF THE CASE AND FACTS MATERIAL TO CONSIDERATION OF THE QUESTION PRESENTED.

The statement of the Petitioner is generally factual, but clarification is necessary for a proper understanding of the case.

Respondent sells the complete patented article, which is a combination of manganese steel and a backin gand also sells both the managanese steel and the backing separately as unpatented components. The four previous lawsuits referred to were against competing manufacturers who sold the complete patented article and also the unpatented component, so they were each both direct infringers and inducing infringers. Three of the four competing manufacturers were licensed, in settlement of the suits, to sell either the entire patented combination or the components or both. Thus, customers have had the choice of obtaining the patented combination or the unpatented component from any one of four sources.

The suit against the Petitioner was the only suit brought by Respondent against a solely inducing infringer, one who sold only the backing. Respondent did nothing to publicize or make known the existence of any of its suits. No customers ever knew that Respondent's patent existed. No customer ever asked Respondent for a direct license and none was ever refused. Respondent had no policy of willingness or unwillingness to grant direct licenses to customers.

The trial court held that there was no evidence that Respondent has sued or threatened to sue any customer or potential customer of Petitioner. The trial court also held that Respondent had not been guilty of bad faith or inequitable or unconscionable conduct in the patent infringement action against Petitioner. For this reason, the trial court held that the Petitioner was not entitled to recover its attorney's fees expended in defending the patent infringement action as damages under the antitrust laws.

The Court of Appeals held that the institution of a patent infringment suit when the patent also is the tying product is not necessarily or always an action brought in furtherance of an illegal tying situation. Mere coexistence of a tying situation and the patent infringement suit is not sufficient to demonstrate that the suit was brought in furtherance, or as an integral part, of a plan to violate the antitrust laws. The Court of Appeals remanded the suit to the trial court to make a determination of:



(1) Whether Respondent merely had a good faith belief in the validity of its patent, but was intentionally using its patent in furtherance of a tying scheme, or

(2) Whether Respondent not only in good faith believed that its patent was valid, but also believed that it was not misusing its patent or violating the antitrust laws.

On remand, the trial court found that the Respondent not only in good faith believed that its patent was valid, but also believed that it was not misusing its patent or violating the antitrust laws. On appeal after remand, the Court of Appeals affirmed on the grounds that the trial court conducted the inquiry as directed on remand and made findings of fact that were not clearly erroneous.

## ARGUMENT.

The Petition for a Writ of Certiorari should be denied because there is no conflict between the decision of the Court of Appeals and the applicable decisions of this Court.

The Court of Appeals for the Ninth Circuit held that the bringing of a patent infringement suit which results in the enforcement of a patent tying arrangement does not automatically entitle the defendant to recover its attorney's fees expended in defending the patent infringement action as damages under the antitrust laws. Instead, the Court of Appeals held that attorney's fees incurred in defending a patent infringement suit can only be recovered as antitrust damages when the patent infringement suit was brought in bad faith as an integral part of a plan to violate the antitrust laws. To make such a determination, the Court of Appeals held that it is necessary to look at the intentions of the patent owner in bringing the patent infringement suit.

The decision of this Court relied upon by Petitioner as being in conflict with the decisions of the District Court and the Court of Appeals is not "stare decisis" as to the question presented herein for review. The sole issue determined by this Court in

*Vendo Company* v. *Lektro-Vend Corporation et al.*, 433 U. S. 623, 53 L. Ed. 2d 1009, 97 S. Ct. 2881 was that § 16 of the Clayton Act did not qualify under the "expressly authorized by Act of Congress" exception to the Anti-Injunction Act, and that the District Court's injunction was not "necessary in the aid of its jurisdiction" for the purposes of the Anti-Injunction Act. This Court did not make any determination as to whether a proceeding brought in a state court could be an anti-competitive device in and of itself.

The law has been long established that dictum in opinions of this Court are not binding precedents. *Cohens* v. *Virginia*, 6 Wheat 264, 399-400, 5 L. Ed. 257, 290 (1821).

Because the *Lektro-Vend* case made no holding other than that an exception to the Anti-Injunction Act did not exist, the reliance by Respondent on this decision is not well placed.

Assuming, arguendo, that the dicta in the concurring and dissenting opinions in *Lektro-Vendo* manifest the intentions of this Court in regard to the question raised by the Petitioner, a perusal of the *Lektro-Vend* decision will show that it is not in conflict with the decision of the Court of Appeals which is sought to be reviewed.

In determining whether an antitrust violation occurs because of the prosecution of a suit based on a claim which a party may legitimately have a right to bring, the courts have faced the dilemma of determining whether such a lawsuit amounts to a genuine attempt to use the adjudicative process legitimately or was brought illegally to monopolize or to restrain trade. This is indicated by this Court in *Vendo Co.* v. *Lektro-Vend Corp.*, 433 U. S. 623, 53 L. Ed. 2d 1009, 97 S. Ct. 2881 (1977), at 433 U. S. 629, where it was said that the lower court had determined there was persuasive evidence that Vendo's activities in its litigation against the Stoner interests in an Illinois state court were not a genuine attempt to use the adjudicative process legitimately.



In order to determine whether litigation is brought for legitimate purposes or in furtherance of an improper objective, the motives or intentions of the party bringing the action certainly are legitimate subject of inquiry. For example, in a concurring opinion in *Vendo Co.* v. *Lektro-Vend Corp.*, at 433 U. S. 645, it was said that the trial court had looked to Vendo's purpose in conducting the state litigation to determine if it amounted to an antitrust violation. Thus, the decision of the Court of Appeals for the Ninth Circuit in instructing the District Court to determine whether the patentee brought its infringement suit based on a good faith belief that it was neither misusing its patent nor violating the antitrust law was not establishing new law but was merely following the expression of some of the members of this Court as set forth in the concurring opinions in *Vendo Co.* v. *Lektro-Vend Corp., supra.*

Further, the decision of the Court of Appeals is in harmony with decisions of other Courts of Appeal. For example, in *Ansul Co.* v. *Uniroyal Inc.*, 488 F. 2d 872 (1971) the Court of Appeals for the Second Circuit held that patent infringement suits instituted in good faith and for the purpose of resolving the issues of validity and infringement rather than with the intent or purpose of restraining trade in violation of the Sherman Act did not entitle the defendant to recover its attorney's fees as antitrust damages.

## CONCLUSION.

For the reasons stated above, the Petition for a Writ of Certiorari should be denied.

Respectfully submitted,

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